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Message Text

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LIMDIS; PASS USADB FOR AMBASSADOR ONLY

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SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
MAY 23, 1978

SEOUL ALSO FOR ASSISTANT SECRETARY HOLBROOKE AND GLEYSTEEN

1. US-ASEAN MINISTERIAL MEETING PREPARATIONS
(CONFIDENTIAL)

MESSAGES FROM ASEAN CAPITALS THIS LAST WEEK SUGGEST THAT ASEAN'S PLANS FOR THE MINISTERIAL ARE, TO QUOTE BOB MILLER, "FLUID TO PUT IT MILDLY". GOM FOREIGN MINISTER RITHAUDDEEN OUTLINED SEVERAL ALTERNATIVES TO OUR PROPOSAL TO MILLER WHICH HE DISCUSSED AT A RECENT MEETING AT THE BANGKOK AIRPORT WITH HIS INDONESIAN AND THAI COUNTERPARTS. HE WAS APPARENTLY UNAWARE OF THE REASONS FOR OUR PROPOSAL AND, ONCE EXPLAINED, SEEMED TO BE AMENABLE TO SUPPORT
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THEM AT THE MID-JUNE ASEAN FOREIGN MINISTERS' MEETING. THE GOOD NEWS: SINGAPORE INFORMED US THAT THE AUGUST DATES ARE ACCEPTABLE FOR THE MINISTERIAL MEETING.

THE MEETING FOR THE ASEAN-US EXPERT WORKING GROUP ON DEVELOPMENT COOPERATION HAS NOW BEEN PROPOSED FOR JUNE 5-6 IN MANILA AND WE INFORMED ASEAN THAT PETREQUIN AND

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MELVILLE FROM AID/ASIA AND I ARE PREPARED TO ATTEND. BUT WE WERE ALSO TOLD THAT THE THAI ASKED FOR A MONTH POSTPONEMENT OF THIS MEETING SO AS TO "BE BETTER PREPARED". STILL, THE RTG "SEES NO REASON FOR CHANGING THE AUGUST 3-4 MINISTERIAL DATES" AND WOULD ADHERE TO A MAJORITY DECISION ON THE WORKING GROUP MEETING. WE ENCOURAGED THE PHILIPPINES TO PRESS AHEAD.

WE RECEIVED A LIST OF PROJECT PROPOSALS FROM THE PHILIPPINES CONSISTING OF 16 PROJECTS UNDER 7 MAJOR SUB-HEADINGS CENTERING ON AGRICULTURE AND ENERGY; ONLY TWO OF THESE WOULD BE DIFFICULT TO ACCOMMODATE UNDER AID'S CRITERIA. ON THE OTHER HAND, MUCH OF ASEAN THINKING STILL TENDS IN THE DIRECTION THAT WE NEED TO SHOW SOME "DRAMATIC DEMONSTRATION" OF SUPPORT FOR ASEAN. THE MALAYSIAN PRIME MINISTER CITED SUHARTO TO THIS EFFECT. LARGE SCALE CREDITS FOR THE ASEAN INDUSTRIAL PROJECTS, THE INSTITUTION OF A STABEX SCHEME AND SUBSTANTIAL MOVEMENT TOWARDS THE G-77 POSITION ON THE COMMON FUND ARE APPARENTLY IN THE MIND OF ASEAN LEADERS.

ON OUR SIDE WE SENT A TARNOFF-BRZEZINSKI MEMO REQUESTING EARMARKING OF TIME ON THE PRESIDENT'S CALENDAR ON AUGUST 4 FOR A MEETING WITH THE ASEAN MINISTERS; WE ARE PROCEEDING WITH SOME OF THE HOUSEKEEPING PREPARATIONS AND NEXT WEEK WE WILL FOCUS ON DEVELOPMENT COOPERATION, CONFIDENTIAL

SPECIFICALLY FOOD AND ENERGY, PRIOR TO THE JUNE 5-6 JOINT WORKING GROUP MEETING.

2. AID COORDINATION (LIMITED OFFICIAL USE)

TWO FURTHER MEMORANDUMS HAVE BEEN CIRCULATED OUTLINING THE GUIDELINES AND MACHINERY FOR INTERAGENCY COORDINATION ON FOREIGN AID AS PART OF THE AID REORGANIZATION BEING EFFECTED BY PRESIDENTIAL DECISIONS. THE PRINCIPAL THRUST IS TO ESTABLISH THE AID ADMINISTRATOR AS THE FOCAL POINT FOR COORDINATING VIRTUALLY ALL FORMS OF US DEVELOPMENT ASSISTANCE, BOTH BILATERAL AND MULTILATERAL, AND TO ENSURE HIM A VOICE IN ALL ECONOMIC DECISIONS HAVING A MAJOR IMPACT ON DEVELOPING COUNTRIES. BEGINNING THIS FALL, THE ADMINISTRATOR, WITH INTERAGENCY PARTICIPATION, WILL PREPARE AN ANNUAL AID POLICY STATEMENT DEMONSTRATING HOW THE DIFFERENT TYPES OF AID, IN CONJUNCTION WITH NON-AID POLICIES AFFECTING LDCS, WILL ADVANCE US PUPROSES AND POLICIES. WHEN APPROVED BY THE PRESIDENT, THIS STATEMENT WILL BOTH CONSTITUTE GENERAL GUIDANCE FOR ALL CONCERNED DEPARTMENTS AND AGENCIES AND SERVE AS THE BASIS FOR A COORDINATED APPROACH TO CONGRESS. THIS

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STATEMENT, TOGETHER WITH MAJOR POLICY ISSUES THAT EVOLVE, WILL BE REVIEWED AT THE CABINET LEVEL BY THE POLICY

REVIEW COMMITTEE (PRC), CHAIRED BY THE AID ADMINISTRATOR WHEN AID ISSUES ARE INVOLVED AND BY THE VICE PRESIDENT OR HIS DESIGNEE WHEN NON-AID ISSUES ARE TAKEN UP. THE PRC WILL BE ASSISTED BY AN EXPANDED DEVELOPMENT COORDINATING COMMITTEE (DCC). THE DCC, WHICH WILL HAVE ITS OWN STAFF, WILL ESTABLISH FOUR NEW SUBCOMMITTEES COVERING BILATERAL LOANS AND GRANTS, IFIS, FOOD AID AND DEVELOPMENT PROGRAMS OF INTERNATIONAL ORGANIZATIONS. IT WILL ALSO ABSORB THE WORKING GROUP OF THE INTERAGENCY GROUP ON HUMAN RIGHTS AND FOREIGN ASSISTANCE AS A FIFTH SUBCOMMITTEE. THE LATTER GROUP WILL REPORT TO BOTH THE CONFIDENTIAL

DCC AND THE HUMAN RIGHTS INTERAGENCY GROUP (CHRISTOPHER COMMITTEE). A SUBCOMMITTEE ON LEGISLATIVE STRATEGY, ABSORBING THE FUNCTIONS OF THE LIG, WILL BE ADDED AFTER THE FY L979 APPROPRIATIONS PROCESS IS COMPLETED. A SUBCOMMITTEE ON SCIENCE AND TECHNOLOGY MAY BE ADDED LATER.

3. MTN: LDC PARTICIPATION (LIMITED OFFICIAL USE)

US, EC AND JAPAN, WHILE CONTINUING TO INSIST ON JULY 15 DEADLINE FOR WRAPPING UP MTN, ARE BECOMING CONCERNED ABOUT REMAINING WORK NECESSARY TO GAIN PARTICIPATION OF LDCS IN MTN AGREEMENTS. IN GATT 7 PLUS 7 MEETING MAY 18, BIG 3 STRONGLY RESISTED VIEW EXPRESSED BY CANADIAN REP THAT JULY 15 WAS DEADLINE FOR BROAD POLITICAL SETTLEMENT AMONG MAJOR PARTICIPANTS; THEY HELD, RATHER, THAT IMPROVEMENTS IN OFFERS AFTER JULY 15 WERE UNLIKELY AND THAT ALL NEGOTIATING DOORS WOULD BE CLOSED EXCEPT FOR TECHNICAL REFINEMENTS. US REP EMPHASIZED IMPORTANCE OF HAVING REALISTIC OFFERS BY LDCS ON THE TABLE BY JUNE 15 TO LEAVE AT LEAST A MONTH FOR NEGOTIATION.

IN REVIEW OF STATUS BY LDC RELATIONS COMMITTEE OF US MISSION GENEVA, HOWEVER, IT WAS CONCLUDED THAT PRESENT SLOW PACE IN AREAS OF LDC INTEREST INDICATES HIGH PROBABILITY THAT LDCS WILL REJECT OR DISASSOCIATE THEMSELVES WITH JULY 15 RESULT. COMMITTEE EXPECTED OFFERS BY JUNE 15 FROM 15 LDCS, INCLUDING ALL FIVE ASEAN MEMBERS. MISSION REQUESTED NEGOTIATING FLEXIBILITY TO CONDUCT BILATERALS WITH ALL IMPORTANT LDCS BY JUNE 15. IT ENVISIONED A PROBABLE NEED TO CONTINUE SPECIFIC NEGOTIATIONS WITH LDCS AFTER JULY 15, BUT FOUND IT CONFIDENTIAL

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IMPERATIVE TO MAKE SUFFICIENT PROGRESS BEFORE THAT DATE TO CONVINCE LDCS TO ASSOCIATE WITH THE MTN AGREEMENTS.

4. MEAT IMPORT LEGISLATION (LIMITED OFFICIAL USE)

BY VIRTUE OF A PRESIDENTIAL DECISION LAST WEEK, THE ADMINISTRATION HAS TAKEN A POSITION OPPOSING THE VARIOUS LEGISLATIVE PROPOSALS, SUCH AS THE BENTSEN BILL, WHICH CALL FOR COUNTER-CYLICAL MEAT IMPORT QUOTAS, RESTRICTIONS ON IMPORTS OF LIVE CATTLE AND CERTAIN PROCESSED BEEF AND SPECIAL LABELING OF MEAT IMPORTS. THIS OPPOSITION WAS EXPRESSED IN TESTIMONY BY STATE, USDA, STR, THE COUNCIL ON WAGE AND PRICE STABILITY AND WHITE HOUSE CONSUMER AFFAIRS SPECIAL ASSISTANT ESTHER PETERSON DURING THE VANIK SUBCOMMITTEE HOUSE HEARINGS ON MAY 22. A REPLY TO PRIME MINISTER FRASER'S LETTER, WHICH HAS BEEN FORWARDED FOR VICE PRESIDENT MONDALE'S SIGNATURE, CITES THIS OPPOSITION. THE VANIK SUBCOMMITTEE WAS ABLE TO HEAR ONLY 22 OF THE SOME 40 WITNESSES WHO WISHED TO TESTIFY YESTERDAY AND A STAFFER SAID THE SUBCOMMITTEE NOW PLANS TO HOLD A SECOND DAY OF HEARINGS, SOMETIME SOON, BEFORE MAKING ITS REPORT.

5. ASIAN DEVELOPMENT FUND (ADF) REPLENISHMENT (LIMITED OFFICIAL USE)

SEVERAL DONORS HAVE DECIDED TO INCREASE THEIR SUPPLEMENTARY CONTRIBUTIONS TO THE ADF. SWITZERLAND WILL VOLUNTARILY CONTRIBUTE 5 MILLION DOLLARS AS OPPOSED TO ITS ORIGINAL OFFER OF 3.5 MILLION. ACCORDING TO AN AGREED UPON FORMULA, THIS INCREASE ALSO RAISES THE AUSTRALIAN AND GERMAN CONTRIBUTION TO 3.8 AND 4.8 MILLION DOLLARS RESPECTIVELY. THESE ADDITIONS BRING THE TOTAL AMOUNT OF SUPPLEMENTAL CONTRIBUTIONS TO 73.3 MILLION DOLLARS OVER THE AGREED-UPON REPLENISHMENT.

CHRISTOPHER

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